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Chapter XX?

Relationships and the Business-to-Business Marketing of Financial Services

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“Customer relationships are not just there; they have to be earned.”

—Christian Gronroos (1990)

Introduction

This chapter examines the business-to-business (B2B) marketing relationships between financial services firms and business users of their products and services. As such, it complements Chapter 11 on customer relationships. It should be noted that B2B marketing has received less research interest than business-to-consumer (B2C) marketing. There are a number of possible reasons for the relative absence of research in this area; to name just a few factors that explain this relative neglect, these include: lack of access to data, the complexities of the relationships, the lack of apparent uniformity in the service offering, and the diverse nature of the businesses involved.

The chapter starts by first providing some background on the different financial firms involved, namely banks, asset management firms, and insurance companies, and the marketing challenges they face. This overview highlights the fact that B2B marketing involves satisfying the product and service needs of knowledgeable professionals and their advisors. It identifies the following themes in the literature: the antecedents that influence the entrance and exit decisions for business purchase and relationship decisions; the determinants of the length and duration of those relationships; and core service marketing issues, such as trust, communication, and commitment that affect value perceptions of the service offering.

Overview of Business to Business Marketing Relationships

Marketing relationships for financial services firms that cater to the needs of other businesses have shared characteristics with marketing to consumers but equally have certain distinct differences. A

key difference is that consumer products and services tend to be generic and mass marketed and individually small in relation to the size of the seller's business; on the other hand, business products are customised, tailored to the customer, and large in value. In addition, whereas consumers are generally considered as unsophisticated, ill-informed and subject to a variety of cognitive biases, on the other hand, selling to businesses involves dealing with professionals who are seen as sophisticated and well-informed in their decision-making (Kormiotis & Kumar, 2010). Furthermore, there is likely to be less informational differences between buyers and sellers concerning the value of the product offering (Nath & Mukherjee, 2012). Consequently, B2B marketing can be considered a distinct segment from consumer marketing both the point of view of both academic research and business practices.

Research in this area has focused on particular types of financial institutions and their relationships with their business customers. While we can think of B2B marketing of financial services as a unified process, in practice it takes place between (i) banks and large and small industrial and commercial firms; (ii) asset managers and plan sponsors of pension funds; and (iii) insurers and corporates and other financial service firms. The key differentiators of B2B from business-to-consumer (B2C) marketing relate to the type of services being offered, the nature of the relationship between the two parties, and the fact that B2B uses customised products and services.

For instance, most large banks have both retail and corporate divisions and hence engage both in B2B and B2C marketing. In the B2C case, they offer standardised products to individuals, and to micro and small enterprises. Marketing processes will be standardised and run generically across the target group. In the corporate division which deals with B2B relationships, tailored and individualised services are sold to small and to medium sized enterprises (SMEs) and large corporations. Typically, a relationship manager (account or client manager) looks after the relationship between the bank and the corporate and this is an important B2B distinguishing feature, as it personalises the relationship between provider and client (Guo et al, 2013). In a similar way, investment management firms offer specific products to individual investors in the form of pooled funds, such as mutual funds or open-ended investment companies (OEICs), or other managed investments. These will be standardised products and will be mass marketed to consumers. On the other hand, the B2B marketing relationships between plan sponsors and investment management firms involve, tailored products and services, such as providing individualised portfolios designed to meet the particular investment objectives of the corporate client (Goyal & Wahal, 2008). In this case, customising is such that no two corporate clients will necessarily have the same portfolio objectives, constraints, and composition. As with banks, client executives will manage the ongoing relationship between the fund management firm and their corporate clients. The marketing of insurance follows the same pattern, with standard products for consumers, but customisation for business clients.

In the B2B marketing context, the above products and services are characterised by interactive, longer-term relationships that may last years but are nevertheless subject to challenge and termination by one or other party (Gambini & Zazzaro, 2013). To establish a relationship, sellers of financial services, such as banks, asset management firms, and insurance companies, typically compete to provide a range of corporate finance, investment services, and insurance products to industrial and commercial firms, be they multinational, large, or small and medium-sized enterprises (SMEs), and to other financial services firms. If successful in winning business, these various types of financial services firms experience differences in the strengths of the relationships that bind the buyer and seller together. For banks, once a relationship is established because of the high costs from changing

bankers, this is likely to persist for a considerable period of time.¹ On the other hand, the relationships for investment firms and insurance companies appear to be less durable. Buyers in these areas are more willing to switch provider based on assessing the benefits and performance as the cost of changing supplier in these cases is seen as considerably lower.

A further key feature that distinguishes B2B marketing in financial services compared to the consumer market is the high knowledge level and sophistication of buyers. Unlike retail consumers who are largely uninformed purchasers, corporate buyers will have a high degree of understanding of the quality and value of the services they are commissioning. To ensure value for money and select the most appropriate provider, at the start of the process of establishing a relationship, the buyer is likely to set up a “beauty contest” where suitably selected firms are asked to bid on the service to be provided. So in establishing a relationship, businesses are likely to look at a range of potential providers in terms of the factors that make them attractive partners. Furthermore, in the case of pension plan sponsors in particular, they may engage a consultant to advise on this process, who will also select the short-listed bidders.

Consequently, identifying the significance and strengths of the determinants and antecedents to the decision has been a key research interest in this area. However it is perhaps because the B2B marketing process is more complex and relationship-dependent that there is less research on this aspect of financial services marketing than on marketing to consumers. The literature in this area is not large but it highlights some of the real complexities involved. To give an idea of the multifaceted nature of the issues in the B2B context, Theron & Terblanche (2010) identify no less than 23 dimensions of relationship marketing in the literature: attractiveness of alternatives, power, bonding, commitment, communication, competence, conflict, cooperation, coordination, customisation, dependence, empathy, goal compatibility/congruence, opportunistic behaviour, reciprocity, relationship benefits, relationship-specific investment, satisfaction, service quality, shared values, switching costs, trust, and uncertainty.

Purchase, Retention, and Termination

While Theron & Terblanche (2010) find many potential dimensions, researchers looking at B2B relationships have sought to understand the determinants involved in the purchase, retention, and termination decisions. Underlying these relationships are the economics of distrust due to the asymmetric information that exists between the buyer and the seller but which, on the other hand, are mitigated by the benefits of a long-term commitment (Freixas & Rochet, 1997).² Research on marketing services views mutual commitment as the base for building relationships and brand loyalty. A key factor of this commitment is the building of a partnering relationship between the provider and the customer and for this reason most of the research has focused on the antecedents and determinants

¹ Ongena & Smith (2001), in their study indicate a median banking relationship of four years for their sample of listed Norwegian firms. Elyasiani & Goldberg (2004) find that the average length of relationship for SMEs is 7.77 years and state that this is longer than the relationship with other financial institutions. Peltoniemi (2007) has an average duration for the bank relationship of 9.08 years.

² For a more detailed discussion on this topic, see Chapter [XXX] on trust in financial services.

that affect the relationship. As Camarero (2007) points out, financial services are the area where managers emphasize relational and quality services strategies. Within this literature, commitment is seen either as affective or calculative, or a combination of both. Affective commitment can be thought of as the psychological benefits derived from the relationship. On the other hand, calculative commitment implies rationale evaluation of the value of the service since “committed customers continue a relationship, provided the costs associated with leaving the partner are higher than the expected benefits of switching.” (Yanamandram & White, 2010, p.571) As Iyer & Bejou (2008) suggest developing customer relationships is challenging, given the special characteristics of services and the complexities of determining expectations. They highlight the important fact that users of services go beyond the evaluation of service quality and that perceptions of the service include a wide variety of dimensions, many of which are quite subjective. They argue that building loyalty is necessary to ensure repeat business or to maintain a relationship. They point out that a single bad experience of the service can have a tremendous negative impact, especially if the causes are within the control of the provider. As Wong et al (2008) point out, in financial services and in the insurance industry in particular, there are often few objective measures for determining service quality.

The next sections discuss the three broad categories of B2B financial services: banking, investment management services, and insurance.

Banking Relationships

As Rosenblatt et al (1988) indicate professional firms seek quality products and services. A key issue in the literature on banking B2B marketing has looked at the antecedents in the building of a relationship. For instance, Guo et al (2010), when looking at the Chinese banking markets—a newly deregulated sector, identify six antecedents that influence the affective and calculative commitment of corporate customers. These can be split into objective criteria, namely interdependence and the service portfolio, and more subjective criteria, such as shared values, trust, service quality, and customer orientation. Ongena et al (2011) look at the factors that influence firms’ choice of banks. They find that bank reputation is an important decision factor for maintaining a particular bank relationship. On the other hand, they find that firms that put an emphasis on the price of bank services are both more likely to terminate relationships and reduce the number of services. Presumably such firms are more calculative in their approach to their banks.

In a survey of Canadian treasury officers that examines a range of factors that influence bank choice, Rosenblatt et al (1988) found that after taking into account criteria such as efficiency (ranked 1 by authors) and reliability of service (2), they ranked qualitative factors such as responsiveness of contact person (3), quality of accounts manager (10), good relationship with contact person (11) and consistency in contact person (13) above objective factors such as expertise in cash management (16), knowledge of the company (18), availability of credit (23), and quick turnaround of loan applications (29). Interestingly, a long-standing relationship only ranked 23 and good salesmanship came last at 31. The authors concluded that service quality and the quality of their contacts at the bank were the principal decision criteria. Given the significant changes that have taken place in banking since this study, it is surprising that researchers have not gone back to examine this in more detail. But it appears not. What we do find—and these will be discussed below—are a number of studies that

examine particular aspects of the banking relationship, in particular elements such as commitment and trust.

In the context of the way the banking industry manages its B2B relationships, Tyler & Stanley (2001) point out the near crisis in the banker-corporate customer relationship that has marginalised the role of the personal relationship manager. They argue that if banks want to sustain this relationship they need to put the relationship manager at the centre of service arrangements and delivery.³ In the corporate banking market, we can distinguish two types of lending processes: asset or transaction-based and relationship-based (Carey et al, 1998). The former is removed from the borrower and mostly relies on hard information. Relationship-based lending on the other hand relies more on soft information. Udell (2008) in a survey of commercial lending finds that relationship lending depends on soft, i.e. non-quantifiable, information whereas other ways of lending depend on hard, that is, quantifiable, information. An interesting issue, therefore, is to what extent the lending relationship allows the creation of soft information. As will be discussed below, the benefits of a relationship also apply to banks' B2B customers in that banks better knowledge of customers with whom they have a relationship translates into better loan terms.

Looking at bank selection, Yavas et al (2004) identify three latent constructs that influence SMEs' choices. Both the search dimension that precedes the purchase decision and the experience and quality judgements about the provider gained after entering a relationship with the provider are fairly objective criteria as they include factors such as the interest rate, collateral, and fees for the service. On the other hand, the credence dimension looks to attributes such as integrity, competence, and knowledge, which are hard to evaluate.

Intangibility of Banking Relationships

The above studies highlight the importance of intangible factors in the bank-corporate customer relationship, such as trust and integrity. Interestingly, this is very similar to the findings for B2C customer relationships in banking. For instance, Dalziel et al (2011) identify four key relationship components for banks' retail consumers: trust, commitment, buyer-seller bonds, and the benefits of the relationship.

Clearly in marketing financial services, intangible factors are important and can be explained due to the fact that a key element of the bank B2B relationship is dealing with the information asymmetry between the provider and the consumer of the services. When looking at both collateral and the borrower lender relationship, Brick & Palia (2007) document a positive 21 basis point interest rate reduction effect for the borrower-lender relationship for a one standard deviation increase in its length, which acts as a proxy for relationship quality. Certainly at the bank level, there appear to be substantial benefits from an established relationship, as Engleberg et al (2012) find when analysing the cost of bank loans. They identify significant benefits from better information flow and monitoring. They report that firm-bank personal connections shift the loan terms significantly in favour of the

³ Chapter 11 discusses early stage relationship development and motivation for relationship engagement while Chapter 12 looks at the evolution of customer relationship management.

borrower through substantially lower interest rates, fewer covenants, and larger loans. They further argue that personal relationships are a factor that allows the bank to excel in difficult to evaluate and problematic situations.

These results conform to Uchida et al (2012)'s finding when looking at relationship lending to SMEs that loan officers are responsible for producing important soft information. Their study indicates that this is more important for small banks, which presumably relates to their being more relationship orientated. Peltoniemi (2007) in a study using data from a single Finnish bank finds that the length of the relationship lowers the cost of credit and that this is particularly the case for high-risk firms.

Interestingly enough, the role of relationships seems to matter even in what economists might consider to be anonymous markets, such as interbank lending. In their paper looking at this market, Cocco et al (2009) identify three conditions that lead to banks establishing relationships with other banks: (1) banks with large reserve imbalances are able to pay a lower interest rate; (2) smaller banks and banks with more non-performing loans and which, as a consequence, have limited access to the interbank market need to rely on relationships for funding; and (3) banks establishing relationships with banks with less correlated borrowing needs, allowing funding reciprocity. They suggest that established relationships allow banks to reduce the cost of managing liquidity risk in the presence of market frictions, such as transaction and information costs. Using an in-depth interview approach, Guo et al (2013) find that banks, by entering into a long-term relationship with their corporate clients, were able to manage the credit risk involved and increased their revenues, thereby creating more profit and increasing shareholder value.

On the other hand, Gambini & Zazzaro (2013) find that for SMEs which have long-lasting bank relationships, this adversely affects the ability of small bank-relationship firms to grow compared to similar bank-independent firms. However, the relationship has a positive mitigating effect for medium-to-large firms. They argue that the beneficial effects of relationship lending are, for small firms, offset by the negative effect of capture, risk, and externalities. Looking at the same issue, Farinha & Santos (2002) find that SMEs initially borrow from one bank but that firms will increase the number of relationships conditional on growth opportunities and poor performance. They attribute this to small firms' concern about hold-up costs and the unwillingness of the existing relationship bank to increase its exposure.

Camarero (2007), in a paper that integrates market orientation, relationship marketing, and service marketing, indicates that relationship activities, namely customization, personalization, communication, and personal relationships are the key drivers of performance. Market orientation is an organizational focus on addressing the future needs of customers. She argues that relationship and service quality are the direct result of banks and other financial institutions adopting a market orientated approach. Service quality is the necessary consequence of building and sustaining relationships.

Cultural Factors

An interesting proposition that remains to be fully tested in the literature is that the findings concerning the determinants might be culturally-driven. Dash et al (2009), using a cross-cultural sample from Canada and India, find that B2B bank relationships are based on the specific cultural context in which they take place. In their sample, they find that Indian society, with its low individualism, places more importance on social bonding, namely the depth of the relationship between the buyer and seller. On the other hand, structural bonding is more important in Canada, where society is more individualist, and where there is more emphasis on the process or task based elements of the relationship.

There is disagreement, however on the importance of cultural factors in building and maintaining relationships. Interestingly, Blankson et al (2007) find a high degree of consistency in consumer bank selection across three different economies: industrialized open market (USA), newly industrialized open market (Taiwan), and liberalized developing open market economy (Ghana). A study by Traylor et al (2000) comparing Australian and US small business relationships finds significant differences in the way firms in the two countries approach the relationship. Personal relationships, location, and the product and service offerings are seen as the most important for US firms, whereas Australian firms consider prices, efficiency, and the willingness of the bank to provide a long-term relationship as the most important. The authors explain the differences as resulting from structural differences in the banking market in the two countries.

So the degree to which country, cultural, or institutional differences affect such choices is still to be determined and is an area that needs further research.

Trust in the Business-to-Business Context

Theron & Terblanche (2010) find that trust, commitment, satisfaction, and communication are the most important dimensions of relationship marketing in B2B financial services, with competence, relationship benefits, bonding, customisation, attractiveness of alternatives, and shared values also being significant. It is clear from most studies in this area that trust is a very important issue given the prevalence of asymmetric information and this has been the subject of considerable research in the provision of B2C services.⁴ Theron & Terblanche's results emphasise the personal relationships aspect of service characteristics, namely empathy, politeness, and similarity, compared to process ones, that is, customisation, competence, and promptness (Coulter & Coulter, 2002). Gill et al (2006) looked at small business owners in the transportation industry and identified differences based on the length of their banking relationships. They find that the primary driver for trust is customization and, somewhat counter to expectation, find that newly established relationships are not more driven by personal characteristics. They conjecture that only after the basic survival needs of these small businesses is met do the person-related attributes begin to matter. As Coelho & Henseler (2012) point out, service customization can create customer loyalty, in that it increases perceived service quality, customer satisfaction, and trust. They find that customization has both direct and mediated effects on customer loyalty. Furthermore, there are also interaction effects between relationship quality, as

⁴ A full discussion of the role of trust in the context of financial services is discussed in Chapter 13.

modelled by customer satisfaction, and trust and customer loyalty. Guenzi & Georges (2010) find that a customer-orientated and expert salesperson increases the customer's trust in the salesperson.

The above studies indicate that banking relationships are based on both affective and calculative commitment, but show a degree of variability due to different antecedents and dimensions that account for their complexity. Some of these complexities, such as the firm's life cycle, cultural differences, and the individual characteristics of both banks and firms, may account for the diverse results seen by researchers in this field. It remains to be seen whether future studies are able to establish a degree of consensus as to the relative strengths of the different elements of the relationship mix.

Investment Management Services

The bank-firm relationship can be seen as two-sided where the bank, as an entity, enters a relationship with the corporate. This is so, even though there may be a number of actors involved on both sides, such as the relationship manager and service personnel on the bank side, and the treasurer and chief financial officer on the corporate side. However, the structure of pension fund investment management is more complex. Following Clark (2000), who examined the structure of the fund management industry, Figure 1 illustrates the number of parties involved and their different roles. It shows that plan sponsors will have multiple relationships with different service elements, such as the fund administrator, the internal and external investment managers, consultants, actuaries, and so forth.

Nevertheless, given the importance of the services being offered, the principal relationship from a research perspective and the one most subject to examination is that between plan sponsors and the outside investment management firms hired to manage the pension plan's investments.⁵ Studies have focused on the antecedents of the hiring decision and the decision to terminate their appointment. A key issue that emerges in this literature is the credence aspect of the services on offer.

⁵ See Chapter 5 for a discussion of what drives the purchase decision in pension and investment products and Chapter 7 for the financial and non-financial attributes of pension fund structures.

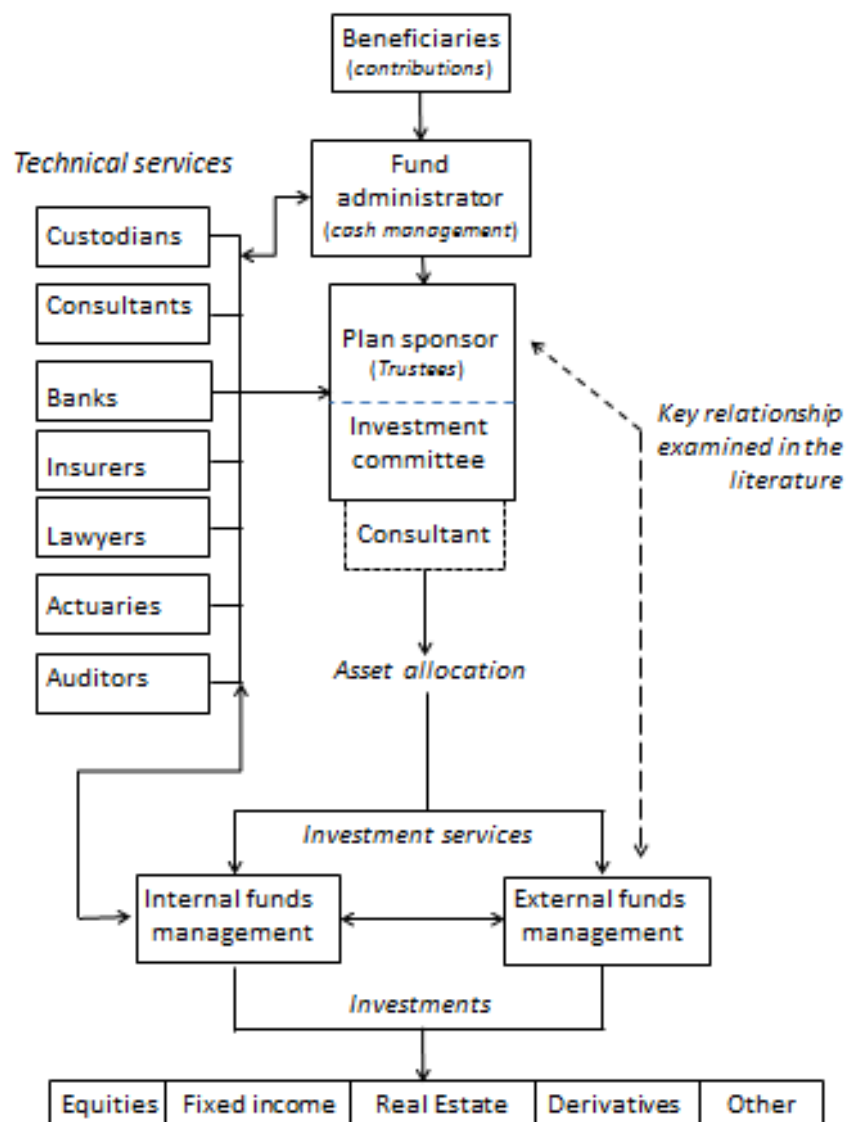


Figure 1: Pension fund investment management: institutions and services

Source: Based on Clark (2000)

Strieter & Singh (2005) look for the factors that determine the choice of external investment management services. Using data from questionnaires, they apply an exploratory factor analysis approach to identify five latent characteristic that underlie the selection of investment managers in the equities, fixed income, real estate, and derivatives markets. These are listed in Table 1.

	Equities & Fixed Income^a	Real Estate^b	Derivatives^b
1	Past performance	Portfolio performance	Performance and personalisation
2	Professional standings	Performance reporting	Return and experience composite
3	Relationship characteristics		Relationship characteristics
4	Service quality		Service quality
5	Risk-adjusted return		

^a Equities and fixed income are grouped together; risk-adjusted return was not a separate factor for fixed income;
^b real estate and derivatives had 2 and 4 factors, respectively
Source: derived from Strieter & Singh (2005)

Table 1: Selection factors for equity, fixed income, real estate, and derivative portfolio investment management services

While it is clear that some determinants given in Table 1, such as past or portfolio performance, can be seen as objective, others, such as relationship characteristics, are far less easily determined as these include intangible elements such as direct communication, trust, and prior experience. Strieter & Singh point out that asset managers' promotional messages are dominated by past performance and supplementary support services (that is objective criteria), yet investment management is a service whose benefit and quality are largely uncertain (that is, subjective). When viewed through the lens of the fiduciary relationship that exists between plan sponsors and outside investment managers, intangible characteristics become an important element of the business relationship. This is confirmed by work by Parwada & Faff (2005) using Australian data who find that prior performance, while important, is not the sole determinant, and cite the plan sponsor's conservatism and prudential concerns as selection factors. Heisler et al (2007) using a flow of funds approach find a pattern of behaviour in plan sponsors that favours smaller products with longer track records and which exhibit a positive serial correlation of asset flows. They interpret this in the context of the appointment and termination of managers and asset allocation decisions as plan sponsors partly relying on qualitative factors such as subjective measures of manager skill, customer service, and relationships with the manager.

In a quantitative study on the selection and termination of investment management firms, Goyal & Wahal (2008) find that investment managers are terminated for a number of reasons, not necessarily simply related to the underperformance of the funds under their management, and which in part appear to be related to the circumstances of plan sponsors. They argue that viewing the process as a whole terminating investment managers may encourage competition and maintain discipline among existing management firms. Giller & Matear (2001) highlight the complex nature of inter-firm relationship termination and that, while there are common characteristics that govern terminations, they find that each was driven by a unique combination of the relationship factors involved. Interestingly, Goyal & Wahal find that for their sample the post-termination performance of managers is neutral and even positive compared to the benchmark.

As previously mentioned, plan sponsors largely rely on consultants to advise on the decision.⁶ Vaaland & Purchase (2005) looking at a corporate but not financial services example find that the

⁶ See Chapter 8 for the role of the expert in financial decisions.

effect is both to reduce the uncertainty in the decision process, through the consultant providing additional information, but at the same time their presence adds to the uncertainty involved. They argue that the consultant's advice may increase uncertainty to a level that ultimately leads to termination. What is not evident is whether engaging consultants with their own agenda increases the likelihood of termination and in the financial services sector, in particular. In this regard, Goyal & Wahal find no quantitative evidence that plan sponsors are more likely to hire and fire managers if they use the services of a consultant. Clearly this is an area that needs more research given the significant role played by consultants in the process.

In addition, what current studies in this area do not do is to look simultaneously at the termination and appointment decisions since hiring and firing investment managers mostly involves switching providers. This is a potential area for future research. Understanding the dynamics of this 'switching' behaviour would provide insights into a key B2B financial marketing issue. Ellis (2006) points out that the literature in this area is largely exploratory and aims to identify individual incentives and deterrents to switching rather than providing an integrated explanation of the complexities of the underlying termination process. A useful starting point might be Yanamandram & White (2006) who identify a range of switching barriers in B2B services—such as the availability of alternative providers, switching costs, inertia, relationship issues, service recovery, as well as other determinants—that affect customer loyalty and hence the propensity to switch. In a follow-up paper that looks at dissatisfied customers, White & Yanamandram (2007) identify five deterrents that act to prevent switching to an alternative service provider: switching costs, interpersonal relationships, the attractiveness of alternatives, service recovery, and inertia. In their model, these barriers are mediated by dependence and calculative commitment. In investment management, dependence is not likely to be very strong as the barriers to switching are likely to be quite low. On the other hand, calculative commitment is likely to be quite high.

The evidence on pension plan sponsor and investment management hiring and firing identifies both objective and subjective factors as important. This research tends to assume that plan sponsors are a homogenous group, although they will have different individual characteristics. This is clearly unrealistic and a richer portrayal of the behaviours of plan sponsors is called for. For instance, a possible line of research in this area is to expand on the insights made by Rowley (2005). She proposes that loyal customers can be categorised as either captive, convenience-seeker, contented or committed. It is clear that plan sponsors do not generally fall into the captive category since there are many potential investment managers and switching costs are relatively low. On the other hand, it is possible that they fall into the other three categories or new categorisations may be required to fully capture the differences involved. Given the current state of knowledge, a lot more research is still clearly needed to provide a good understanding of the dynamics of the hiring and firing process for investment management services. We also do not have good research on the way the marketing relationship works between plan sponsors, their advisors, and investment management firms. For instance, it would be good to understand how asset managers are short-listed for the beauty contest. Clearly with a large number of potential candidates, how successful bidders are selected would provide insights into the antecedents involved. In particular, it would be interesting to see how they differ from those in other areas, such as banking relationships.

Insurance Services

The study of relationship marketing of insurance, a complex, high credence product whose benefits are hard to establish, seems greatly neglected and certainly is the poor relation of studies that look at bank marketing. A literature search revealed very little research that specifically looked at B2B marketing of insurance services, although there are a large number of studies that look at consumers' attitudes to insurance.⁷ One paper that specifically looks at the institutional insurance service industry is Wong et al (2008). They develop a vulnerability-commitment interactive relationship model that deals with the dynamic nature of insurance, the problems of its objective evaluation as a product, customization, and resource-dependence. In their model, successful relationships are built through client evaluation of the seller's capabilities, learning from the provider, cooperation, and involvement in customization. They find significant statistical support for their model from their data of institutional clients for commissioning general insurance in Hong Kong. They conclude that customization and trust increase vulnerability-commitment which, in turn, affects client's loyalty to a particular provider.

Mäenpää & Voutilainen (2011) using a qualitative approach examine the cross-selling of bank and insurance products to SMEs. They find that the SMEs see banking and insurance as non-related products and they explain this in terms of the lack of loyalty programs in the B2B marketing context, as well as the unsuitability of hybrid banking-insurance products that are of questionable value to SMEs. They highlight two major issues with cross-selling, high switching costs and the reluctance of buyers to become dependent on a single provider. Their findings are generally in accord with the findings for cross-selling in the B2C context.

Conclusions

The challenge for B2B financial services marketing is to build long-term loyalty and ensure repeat business. A key problem for providers is that the buyer's evaluation of the offering goes beyond the technical attributes of the services and includes a wide range of dimensions, some of which are very subjective. A key challenge to any marketer is to manage the service relationships in such a way as to build and maintain client loyalty. The evidence in this chapter indicates that the ability to form and maintain such relationships varies across the types of financial services being offered. At one end, bank services can create strong, longer-lasting relationships, whereas asset management and insurance tend to create less loyal customers. Camarero (2007) argues that service quality and relationships are two aspects of a more fundamental attribute; namely, market orientation. That is the ability of the seller to capitalize on the current and future needs of customers. By building relationships, sellers can acquire the necessary intelligence on their clients and respond to their needs.

The research evidence presented in this chapter indicates the importance of building and maintaining strong customer relationships. However, strong relationships require an equally compelling service

⁷ See Chapter 9 which examines how consumers make financial choices and Chapter 10 which examines household decision making in financial services. Insurance in the context of Islamic finance is discussed in Chapter 34. Papers which look at the selling of life, property and casualty insurance exist in the literature, but the data and research focuses on retail customers and their relationships with providers.

offering. Iyer & Bejou (2008) point out that providers have become increasingly conscious of the need to build these relationships and that the employer-customer relationship is just as important as the client's perception of the service offering. What the literature on this topic indicates that, in order to build successful relationships in B2B marketing, financial service firms need to address both the objective and quantifiable elements of their offering as well as addressing subjective issues. Chief among the latter are trust, integrity, and commitment.

One conclusion that can be drawn from the research so far is that relationships matter in this area. A number of the studies reviewed here provide concrete evidence for the benefits of relationships, most of this evidence coming from the banking context. Yet it would appear that providers are likely to emphasize the objective criteria of their offerings rather than subjective, relational ones. Perhaps the reason here is that it is hard to provide a compelling marketing narrative that captures the essence of these subjective criteria, in spite of their importance in building the attributes of a relationship. Consequently, it remains a real challenge for B2B financial marketers and their organizations to "get it right" given the complexities and dynamics involved.

Further Research

If research in B2B marketing of financial services is to progress, it will have to overcome the issues identified in the introduction. Clearly better access to data is required. The large data sets that are available for consumers are less available for corporate customers. It is no accident that quite a bit of the literature relates to SMEs where banks' relationships share some of the characteristics of retail customers. That researchers do not have access to similar data for large corporates is due to the way that financial service providers deal with these customers. There are sensitive commercial issues involved in disclosing information about significant customers. So until these can be resolved, progress in this area is likely to be patchy.

A further complicating factor is the customized and divergent nature of the product offering. Without adequately addressing this, researchers can never be confident that their results are not being driven by this rather than some other factor. Hence, ways to build this into their models need to be considered.

A further issue that this chapter highlights is that while the area of B2C marketing has been extensively examined and its determinants charted, that for B2B, remains relatively under-researched. Of particular note in this regard is the absence of papers that look at issues in the corporate insurance market, where very little empirical work and model building seems to have taken place. On the other hand, there is a growing literature on selling insurance to retail consumers. Given that insurance is a distinct financial product compared to banking and investment, this is all the more remarkable.

Other key areas of B2B financial services marketing still need clarification, in particular the role of antecedents and determinants, and our understanding how factors such as customization, personalization, and personal relationships affect relationships. These are areas that have largely already been examined in the context of retail consumers and adapting or developing testable models for the B2B market is still work to be done.

Given the significant changes that have taken place in financial services since the credit crunch some research—such as that by Rosenblatt et al (1988)—could usefully be re-examined in the present context.

Lastly, it would also be good to see studies that looked at issues in different countries. This is a weakness in the current literature in that many studies are both very country specific and use relatively small samples. One has to reflect whether what applies in Australia, Finland or Hong Kong can be assumed to apply elsewhere. So it would be good to see other country-specific studies but also wider research that goes on to compare and contrast between countries. It is surely the case, as the extant literature seems to suggest that some of what we know is driven by country-specific factors and is not generalizable in another context.

Consequently, there exists a big future research agenda to examine the “how”, “why”, and “what” drivers of business-to-business purchase, retention, and termination decisions in financial services marketing.

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